

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-281-S**

IN RE:)
)
Application of Palmetto Utilities, Inc. for)
adjustment of rates and charges for, and)
modification to certain terms and conditions)
related to, the provision of sewer service.)

PREFILED DIRECT TESTIMONY
OF
BRYAN D. STONE
ON BEHALF OF PALMETTO
UTILITIES, INC.

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, PRESENT POSITION AND**
2 **RESPONSIBILITIES.**

3 A. My name is Bryan D. Stone. My business address is Palmetto Utilities Inc., 1710
4 Woodcreek Farms Road, Elgin, SC 29045. I am Chief Operating Officer of Ni Pacolet
5 Milliken Utilities, LLC (“Ni”), and its direct and indirect subsidiaries, including Palmetto
6 Utilities Inc. (“PUI”). In this role I have responsibility for PUI’s operations, maintenance,
7 engineering and economic development activities.
8

9 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**
10 **EXPERIENCE.**

11 A. I have earned both a Bachelor of Science in Electrical Engineering degree and a Master of
12 Science in Electrical Engineering degree from the Georgia Institute of Technology, as well
13 as a Master of Business Administration degree from the University of Florida. I am a
14 registered Professional Engineer in the state of Florida. A history of my employment prior
15 to becoming employed with Ni and its sister subsidiary, Lockhart Power Company
16 (“Lockhart”), is attached to my testimony as Appendix A.
17

18 I joined Lockhart in April 2006 with overall responsibility for all aspects of Lockhart’s
19 performance. Lockhart’s parent company is Pacolet Milliken, LLC (“Pacolet”), which is
20 also the parent company of Ni. Pacolet purchased Ni in 2015, then named me Chief
21 Operating Officer of Ni in late 2015. In this role, I have operational responsibility both for

1 PUI and for another Ni subsidiary, Palmetto Wastewater Reclamation, LLC ("PWR").
2 Under my direction, a variety of operational and maintenance improvements have been
3 made at both PUI and PWR, including more than \$80 million in total capital investments
4 in collection systems, treatment plants, effluent discharge systems, and other equipment
5 and systems. These investments include a number of reliability, efficiency, and routine
6 operations and maintenance capital projects for PUI. In addition, Ni has implemented a
7 variety of cost-effective predictive and preventative maintenance measures, with the goals
8 of reducing spills, improving reliability of service, and reducing overall long-term
9 operational costs.

10
11 **Q. HAVE YOU PREVIOUSLY APPEARED BEFORE THE PUBLIC SERVICE COMMISSION OF**
12 **SOUTH CAROLINA ("COMMISSION").**

13 A. Yes. I testified before this Commission in Lockhart's last three rate cases in Docket
14 Numbers 2007-33-E, 2010-181-E, and 2013-378-E. I also was a witness in the last PUI rate
15 case in Docket Number 2017-228-S and the last PWR rate case in Docket Number 2018-
16 82-S.

17
18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. The purpose of my testimony is to provide a brief overview of PUI operations. With this
20 overview as a backdrop, I will describe three large capital projects completed shortly before
21 the last rate case, and related impacts on several categories of operating expenses. I will
22 also provide a brief description of key capital projects completed since the last rate case,
23 and why those investments were necessary, timely, and prudently implemented.

24
25 **Q. WHAT IS PUI'S AUTHORIZED SERVICE TERRITORY?**

26 A. The PUI system is primarily in the northeast corner of Richland County, including (1) the
27 northeast quadrant of the I-77 and I-20 intersection bounded by the Richland/Kershaw
28 county line, (2) an area west of I-77 and the Town of Blythewood bounded by U.S.
29 Highway 321, and (3) territory formerly assigned to the Palmetto of Richland County
30 ("PRC") system prior to its merger into PUI. A small portion of southwestern Kershaw
31 County is also included in PUI's authorized service territory.

1 **Q. WHAT PERMITS DOES PUI HOLD FROM THE SOUTH CAROLINA DEPARTMENT OF HEALTH**
2 **AND ENVIRONMENTAL CONTROL (“DHEC”)?**

3 A. PUI holds the necessary DHEC permits to own and operate the Spears Creek Regional
4 Wastewater Treatment Plant (“WWTP”) and other facilities and equipment in its system,
5 which are included in a National Pollutant Discharge Elimination System (“NPDES”) permit for the discharge of the related effluent into the Wateree River, issued in 2017.
6
7

8 **Q. IS PUI PROVIDING WASTEWATER TREATMENT SERVICE TO ITS CUSTOMERS IN**
9 **CONFORMITY WITH ITS DHEC PERMITS?**

10 A. Yes.
11

12 **Q. PLEASE PROVIDE AN OVERVIEW OF PUI’S SYSTEM.**

13 A. PUI has provided wastewater services for over forty years, and has grown steadily during
14 that time in keeping pace with local development. In 2017, PRC, an adjacent public utility
15 that was purchased by PUI’s parent company approximately four years prior, was merged
16 into PUI in 2017. PUI’s resulting system has more than 30,000 customers, an extensive
17 collection system consisting of almost 500 miles of pipelines and approximately 75 pump
18 stations, the Spears Creek Regional WWTP treatment system, and an effluent discharge
19 system that includes an effluent pump station and the 12 mile long, graduated 36-42 inch
20 diameter Wateree Pipeline capable of handling 12 million gallons of effluent flow.
21

22 **Q. PLEASE SUMMARIZE THE MAJOR PROJECTS IN WHICH PUI HAS INVESTED AND THE**
23 **AMOUNT OF CAPITAL EXPENDED ON THEM SINCE 2017.**

24 A. Approximately \$65 million was invested in three major projects, all of which became
25 operational in 2017: (1) the construction of a 22 mile long pipeline that linked PRC with
26 PUI, relieved bottlenecks within the PUI collection system and opened up new territory for
27 development (the “Northern Pipeline”), (2) the expansion of the Spears Creek Regional
28 WWTP from 6 MGD to 12 MGD (the “Spears Creek Regional WWTP Expansion”), and
29 (3) the above-referenced Wateree Pipeline.

1 **Q. HOW WERE THE CAPITAL INVESTMENTS AND OPERATING EXPENSES ASSOCIATED WITH**
2 **THESE THREE MAJOR PROJECTS ADDRESSED IN THE PREVIOUS PUI RATE CASE (DOCKET**
3 **NUMBER 2017-228-S)?**

4 A. In general, the capital investments were included in rate base in the previous rate case.
5 However, increases in operating expenses related to those investments were generally not
6 allowed, presumably due to the relatively limited operating history of the new projects
7 (approximately several months) at the time of that rate case.
8

9 **Q. HAVE OPERATING EXPENSES CHANGED SINCE THE TEST YEAR FOR PUI'S PREVIOUS RATE**
10 **CASE?**

11 A. Yes, operating expenses have notably increased since the last rate case. The Northern
12 Pipeline connected more than two million gallons of additional wastewater flow to the
13 Spears Creek Regional WWTP, resulting in additional sludge disposal, electricity, and
14 chemical expenses of approximately \$870,000. In addition, there have been normal
15 inflationary increases in expenses that total an additional approximate \$650,000.
16

17 **Q. HAVE ADDITIONAL CAPITAL PROJECTS BEEN PERFORMED IN THE PUI SYSTEM SINCE THE**
18 **LAST RATE CASE?**

19 A. Yes. In addition to routine capital projects to rehabilitate or replace treatment plant and
20 collection system assets, there were several noteworthy projects:
21

- 22 • GIS Mapping and AMS System – We purchased, installed, and configured a
23 geographical information system (GIS) to allow collection system pipelines, pump
24 stations and other assets to be mapped. This GIS system enables and underpins an
25 asset management system (AMS), which provides a variety of benefits. These
26 benefits include enabling efficient inflow and infiltration (“I & I”) inspection routes
27 and documentation of issues found, streamlining various field service and preventive
28 and predictive maintenance activities, and the ability to quickly provide accurate
29 maps to prospective customers (electronically or in hard copy form).
30

- 1 • Road Widening Pipeline Relocations (Hardscrabble and Clemson Roads) –
2 Continued long-term growth in the PUI system has necessitated various road
3 widening projects, several of which parallel PUI's collection system pipelines. This
4 required PUI to relocate three pipelines into the new rights-of-way, at a gross cost of
5 approximately \$1.59 million. However, approximately \$377,000 was reimbursed by
6 South Carolina Department of Transportation due to pre-existing private rights-of-
7 way owned by PUI), so the net cost was slightly more than \$1.2 million.
8
- 9 • Solids Handling System Upgrade – The belt press filter building at Spears Creek
10 Regional WWTP was designed for the relatively low amount of sludge hauling truck
11 traffic that existed prior to the WWTP expansion. The building was expanded and
12 the truck loadout area was redesigned to enable multiple sludge containers to be filled
13 at once, streamlining truck loadout operations and improving worker and driver
14 safety. The area was also covered to prevent rain from making the sludge wetter than
15 the waste disposal company would accept.
16
- 17 • Industrial Park Pipeline Redirect – Two older pump stations from the legacy PRC
18 collection system required major rehabilitation. Instead, the two associated pipelines
19 were tied into an existing PUI gravity line. This allowed the pump stations to be
20 eliminated, avoiding the cost of rehabilitation. This also eliminated future operating
21 and maintenance expenses associated with those pump stations.
22

23 **Q. WHAT ARE THE CUSTOMER BENEFITS OF THESE PROJECTS?**

24 A. There are many customer benefits that result from PUI's sustained capital investment
25 program, including those associated with the specific projects described above such as
26 increased operational efficiency, faster customer service in the field, faster spill response,
27 reduced operational risk, reduced operational expenses, and improved safety. In addition,
28 other capital investments since the last rate case continue to provide benefits such as
29 identifying and eliminating sources of I & I, which helps minimize the occurrences of
30 sanitary sewer overflows, improve regulatory compliance, and reduce pumping and
31 treatment costs.

1 **Q. HOW DO THESE CAPITAL PROJECTS POSITION PUI FOR THE FUTURE?**

2 A. The PUI system is now well-positioned for the long-term growth that is expected to
3 continue to occur within its service territory, without the need for additional major
4 investments in treatment plants or effluent discharge pipelines for the foreseeable future.
5 Collection system investments are similarly expected to have reached a plateau, with
6 occasional pipeline section and pump station extensions and replacements to be performed
7 as needed.

8

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A Yes, it does.